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Testimony before the Planning and Development Committee

**H.B. 5583, An Act Concerning The Payment Of Real Property Taxes By Certain Institutions Of Higher Learning And Hospital Facilities.**

Jeff Shaw, Director of Public Policy, Connecticut Association of Nonprofits

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Senator Osten, Representative Rojas, and distinguished members of the Planning and Development Committee, my name is Jeff Shaw, Director of Public Policy, for the Connecticut Association of Nonprofits (CT Nonprofits). CT Nonprofits is the largest membership organization in the state representing all 501(c)(3) nonprofit organizations. Our network is more than 500 nonprofit organizations strong with 51,000 employees representing more than \$2.5 billion in annual revenue.

I would like to express my concerns with H.B. 5583, An Act Concerning The Payment Of Real Property Taxes By Certain Institutions Of Higher Learning And Hospital Facilities. This legislation would reverse the current payment-in-lieu-of-taxes (PILOT) program, where municipalities are reimbursed a percentage of the taxes that would have been paid on property if it was fully taxable; in this case, land owned by private nonprofit colleges and hospitals. Since the property tax is a major source of local revenue, PILOT has been a controversial matter for many years. This proposal would phase out the current property tax exemption over five years beginning in 2015 and replace it with a 'grants in lieu of property tax' program that would provide payments from the state to those nonprofit entities for up to the current PILOT reimbursement rate of 77% of their tax bills. This policy change is a major concern to those nonprofit entities affected because the reimbursement rate is subject to annual appropriations by the legislature and could be less, and possibly eliminated, for any given year.

Connecticut rightly recognizes both that nonprofits earn their property tax exemptions through community impact and that those exemptions mean lost tax receipts for municipalities. The benefits of creating jobs, revitalizing neighborhoods and encouraging vibrant growth of host communities outweigh the forgone revenue.

Since 1978, the state provides municipalities with payments or grants that partially reimburse them for the value of taxes they would otherwise have received on real property of private colleges, general hospitals, chronic disease hospitals and certain urgent care facilities (CGS 12-20a). As you know, state statute sets the percentage reimbursement for each type of property but requires the payments to be proportionately reduced if the state appropriation for the grants is not enough to pay the full amount to every municipality. Unfortunately, that proportionate reduction has been the case due in part to budget constraints, with the current reimbursement rate of 77% for private nonprofit colleges and hospitals having gradually dropped to 32% in recent years (as a comparison, the reimbursement rate is 45% for state owned property, having gradually dropped to 20% in recent years). Without additional PILOT funding, I would expect similar reductions to occur in this 'grants in lieu of property tax' proposal.

Recognizing that certain communities, cities in particular, have additional costs of caring for the needy and dealing with various social problems, the Governor proposed an additional \$8 million in PILOT funding for private nonprofit colleges and hospitals in his midterm budget adjustment. I commend the Governor for proposing this additional PILOT funding to support underfunded municipalities. While this proposed funding would not restore the 77% reimbursement rate, it would provide additional needed relief to host communities as well as show a commitment to both maintaining the tax exemptions of those nonprofit entities as well as the PILOT structure. Additionally, some private nonprofit colleges and hospitals already have agreements to make voluntary payments to municipalities to pay for public services such as police, fire, and education. More of these types of partnerships should be pursued in the near-term rather than overhauling the PILOT funding model.

Nonprofits entities are integral to the state's economy and quality of life. The mission of all nonprofit organizations is to improve the health and well-being of our local communities and serve the public good. While we all share a common goal to strengthen our communities, we must work together to keep communities strong, and ensure adequate resources and supports for organizations that build that strength. I urge this committee to work to maintain and enhance the current PILOT system rather than dismantle it.

Thank you for your time and consideration.